



Department for  
Business, Energy  
& Industrial Strategy

# ECO3

## Improving consumer protection

Closing date: 6 August 2019



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# General information

## Consultation details

**Issued:** 9 July 2019

**Respond by:** 6 August 2019

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**Consultation reference:** ECO3: Improving consumer protection

**Territorial extent:**

This consultation is for England, Wales and Scotland.

## How to respond

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Where possible, responses should be submitted electronically via the e-consultation link: <https://beisgovuk.citizenspace.com/home-local-energy/eco3-improving-consumer-protection>.

This is our preferred method for receiving responses. However, responses sent to the postal address or email address set out above will also be accepted.

To aid our analysis, please state 'yes' or 'no' to indicate whether you agree or disagree with each proposal. If you have information which supports your view, we invite you to provide details in support of your response.

## Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

## Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

# Foreword

The Energy Company Obligation (ECO) provides energy saving measures that make homes warmer and more affordable to heat. The installation of energy efficiency measures brings many other benefits which help implement our Industrial Strategy and promote clean growth. It supports skilled jobs in small and medium businesses throughout Great Britain and reduces our energy needs and carbon emissions. ECO was recently changed to focus on low income and vulnerable households who are least able to adequately heat their homes and most likely to suffer the negative effects of living in a cold home.

Alongside tackling fuel poverty, the Government remains determined to drive up the quality of energy efficiency installations and improve consumer protection. There remains the opportunity to deliver millions more energy efficiency installations across Great Britain as we continue to push to meet our carbon and fuel poverty targets, however, we are clear that high volume and cost-effective delivery must not undermine quality or consumer protection.

Despite the development of new requirements since the start of ECO in 2013, there remain too many instances of poor-quality installations. We have seen the impact such installations can have; they can create problems with the integrity of buildings; exacerbate issues such as damp and mould leading to health problems, which in turn lead to the need for expensive remedial work. Systemic failures across the market, including gaps in standards and skills, risk destroying consumer and investor confidence in energy efficiency retrofit. Ultimately, such poor practice can damage people's lives.

## *The Each Home Counts Review*

In July 2015, the then Secretaries of State for the Department for Energy and Climate Change (DECC) and Department for Communities and Local Government (DCLG), Amber Rudd and Greg Clark, commissioned Dr Peter Bonfield to lead an independent review of consumer advice, protection, standards and enforcement for UK home energy efficiency and renewable energy measures. The outcome was the Each Home Counts (EHC) Review<sup>1</sup> ("the Review"), published in December 2016.

The Review detailed findings and recommendations for action developed through engagement with several hundred stakeholders, including trade bodies, energy providers, manufacturers, installers, trainers, standards bodies and consumer groups.

Following the Review, BEIS has worked closely with industry to turn the recommendations into tangible outputs aimed at driving up quality, consumer protections and skills. This was taken forward through the EHC Implementation Board<sup>2</sup> which harnessed industry working groups to turn the recommendations into practical solutions.

One of the key recommendations was to develop a quality mark for the domestic retrofit sector. The industry-led EHC Implementation Board, with the support of BEIS, established that TrustMark (2005) Ltd was best placed to take forward the development of this new quality mark framework

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<sup>1</sup> <https://www.gov.uk/government/publications/each-home-counts-review-of-consumer-advice-protection-standards-and-enforcement-for-energy-efficiency-and-renewable-energy>

<sup>2</sup> An industry Board formed of senior stakeholders from different relevant backgrounds – information on the Board is available here: <http://www.eachhomecounts.com/implementation/>

under its Master Licence Agreement issued by BEIS. The new TrustMark Government Endorsed Quality scheme was launched by Claire Perry, Minister for Energy and Clean Growth, during Green Great Britain week in October 2018.

As highlighted in the Review and in the 2018 consultation on ECO3<sup>3</sup>, the Government remains committed to ensuring that the recommendations from the Review are acted upon, to develop a better quality and standards framework which places consumer protection at its centre.

All the work undertaken by industry throughout the Review, the creation of the new, reformed TrustMark scheme and the development of new Publicly Available Specification (PAS) standards, will help to ensure the best outcomes for householders and builds on the good work already being done by many in industry to improve and further professionalise the sector. The focus has to be on a “right first time” approach to minimise the need for revisits, costly remedial works and to build a trusted sector which people and businesses are willing to invest in.

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<sup>3</sup> <https://www.gov.uk/government/consultations/energy-company-obligation-eco3-2018-to-2022>

# Executive Summary

This document sets out proposals for changes to the current Energy Company Obligation scheme which will run until March 2022 (ECO3). As trailed by Government last year, we are proposing to incorporate the TrustMark Government Endorsed Quality scheme into ECO3, as a route for demonstrating compliance with the most up to date relevant PAS standards and to ensure a sufficient consumer protection process and that sufficient guarantees are in place.

The updated TrustMark scheme has been developed based on the recommendations from the Each Home Counts Review, an independent review of consumer advice, protection, standards and enforcement for UK home energy efficiency and renewable energy measures. One of the key recommendations was to establish a quality mark for all companies operating in this sector. Those who wish to use the quality mark will need to adhere to three key elements which, together with the quality mark, are detailed in TrustMark's Framework Operating Requirements.

Those working within this Framework need to display the requisite skills, requirements, behaviours and competencies, including:

- Technical competence required to protect consumers and installers, health and safety, underpinned by enforcement procedures to take action on those that fall below required competence levels;
- Quality performance to ensure that measures are installed in a way that meets requirements for performance and the relevant standards; and
- Customer interfacing skills so that those operating within people's homes do so in a way that is respectful and in line with the good customer service that might reasonably be expected of them.

In addition to the inclusion of TrustMark, we are proposing to make some small, technical changes to the scheme. We propose to remove the 400% score uplift applied to replacement boilers delivered outside of the broken heating cap. The current score uplift does not align with the original policy intent to prioritise delivery of insulation and first-time central heating (FTCH) measures, as the best long-term solutions to reduce energy costs.

We are proposing three changes to the way FTCH is treated under the scheme. Firstly, to increase the lifetime for FTCH measures to 20 years to better reflect the longevity of the heating system as opposed to just the heat generation technology. Secondly, we propose to allow FTCH to be installed in PRS F&G rated properties. And finally, we intend to allow FTCH to be installed as in-fill under local authority flexible eligibility.



# Supporting Documents

This consultation is being published alongside a number of supporting documents which should be reviewed alongside the relevant sections and questions of the consultation document.

In particular these documents are:

1. Documents detailing the TrustMark Government Endorsed Quality scheme, namely:
  - a. **The draft updated Framework Operating Requirements:** <https://www.trustmark.org.uk/aboutus/framework-operating-requirements>
  - b. **The Code of Conduct:** <https://www.trustmark.org.uk/aboutus/useful-links/docs/default-source/scheme-documents/code-of-conduct>
  - c. **The Customer Charter:** <https://www.trustmark.org.uk/aboutus/useful-links/docs/default-source/scheme-documents/customer-charter>
  
2. The new Publicly Available Specification (PAS) standards for the delivery of domestic energy efficiency measures, namely:
  - a. **PAS 2035:2019 Retrofitting Dwellings for Improved Energy Efficiency: Specification and Guidance**
  
  - b. **PAS 2030:2019 Specification for the installation of energy efficiency measures in existing dwellings and insulation in residential park homes**  
<https://shop.bsigroup.com/ProductDetail/?pid=00000000030390699>

# Consultation questions

## Improving Consumer Protection

1. The Each Home Counts Review and subsequent implementation programme has been a driving force in identifying effective and tangible routes to providing improved consumer protection and quality in the delivery of energy efficiency measures. It covered:
  - 1) *Consumer advice and protection*: to support consumers' decisions ahead of installation and advise on help available when things go wrong;
  - 2) *Standards framework*: to ensure that the right products are fitted to the right properties in the right way; *and*
  - 3) *Monitoring and enforcement*: to ensure that poor quality work is dealt with effectively, and the arrangements for audit, compliance checking, and sanctions provide sufficient assurance.
2. In March 2018, BEIS consulted on including the Each Home Counts (EHC) quality mark in ECO3 as the method of demonstrating installer eligibility and as a key way of improving the installation and consumer protection standards of ECO measures.<sup>4</sup> More specifically we asked if:
  - installers delivering ECO measures should be registered with the EHC quality mark;
  - solid wall, cavity wall and park home insulation delivered under ECO should be backed with guarantees from the quality mark in order to receive the standard applicable lifetime; and
  - ECO measures and installers delivering measures referenced in PAS 2030 and PAS 2035 should be respectively installed in accordance with and certified against PAS 2035 and the latest version of the PAS 2030.
3. The responses to the consultation showed overall support for the introduction of both a new EHC quality mark and new PAS standards into ECO3 once finalised. Many respondents highlighted the need to improve the overall quality and safety of installations and operative competency, to ensure better outcomes and customer satisfaction.
4. Although the majority of respondents agreed with the inclusion of the EHC quality mark in ECO3, a number requested that the new quality mark be further refined before any integration. Taking this into consideration, and to ensure that any new requirements are fit for purpose, the Government response<sup>5</sup> noted that the EHC quality mark should be fully developed before any inclusion in ECO3. We also set out our intention to review whether the existing PAS standards should be replaced by the new standards following their completion in early 2019 and develop appropriate transitional arrangements for

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<sup>4</sup> See: <https://www.gov.uk/government/consultations/energy-company-obligation-eco3-2018-to-2022>

<sup>5</sup> See: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/727065/Energy\\_Company\\_Obligation\\_ECO3\\_2018-2022.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727065/Energy_Company_Obligation_ECO3_2018-2022.pdf)

their introduction.

### *The EHC quality mark*

5. Under the direction of the EHC Implementation Board, the quality mark was formally established as the new TrustMark Government Endorsed Quality scheme<sup>6</sup> and launched by the Minister for Energy and Clean Growth, Claire Perry, during Green Great Britain week in October 2018. TrustMark (2005) Ltd is a not-for-profit organisation which was established in conjunction with Government, industry bodies and consumer protection groups and operates under a Master Licence Agreement issued by BEIS. This Licence sets out the requirements in accordance with which TrustMark (2005) Ltd must operate the Government Endorsed Quality scheme.
6. The aim of TrustMark is to help people find reputable tradespeople to carry out repair, maintenance and improvement work to their homes and to give confidence in the firm's competence and fair-trading practices.
7. To embed the recommendations of the Review, TrustMark has undertaken a large programme of work to update its scheme. Its remit includes repair, maintenance and improvement (RMI) and energy efficiency, providing quality and protection for consumers having work carried out in or around their home. Changes to the scheme include new:
  - **Framework Operating Requirements (The Framework)**<sup>7</sup> – Defines the relationship between TrustMark and its scheme providers and details the requirements scheme providers must meet. This includes the mandatory minimum requirements for applicant and/or registered businesses that are supplemented by additional industry specific requirements set out by scheme providers, such as requirements for financial protection for installations where relevant. The Framework was developed taking account of a number of EHC recommendations about how the scheme should operate and was subject to public consultation by TrustMark in summer 2018.

The draft updated Framework includes specific consumer protection requirements expected from scheme providers in respect of their registered businesses. These requirements are related to certain key principles which include, but are not limited to:

- i. requiring appropriate industry standards for all sectors covered, including PAS standards for energy efficiency measures (Chapter 5, 13 & 14, Annex B);
- ii. detailed and robust audit and compliance policies and procedures (Chapter 6) and principles of enforcement and sanctions (Chapter 7);
- iii. dispute management process (Chapter 8) and consumer safeguarding principles (Chapter 9); and
- iv. principles of financial protection, including requirements which incorporate and build on the existing ECO3 guarantee requirements (chapter 10).

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<sup>6</sup> See: <https://www.trustmark.org.uk/>

<sup>7</sup> See: <https://www.trustmark.org.uk/aboutus/framework-operating-requirements>

- **Consumer Protection Requirements** – A new Code of Conduct<sup>8</sup> for registered businesses and a Customer Charter<sup>9</sup> were developed by the EHC Implementation Board and have been integrated into the TrustMark scheme.
  - **Independent Board** - Established a new board structure with supporting councils and advisory panels to help support TrustMark’s decision making, with a focus on industry links, finance and consumer protection.
  - **Data Warehouse** - A software platform recommended in the EHC Review, which is being developed to capture details of energy efficiency measures at individual property level through lodgement of every installation and supporting information – including on financial protection policies – carried out by registered businesses. It will also support PAS 2035 by providing audit and compliance oversight using whole market technical monitoring data to develop robust risk models and restrict opportunities for companies gaming the market and help identify and deal with rogue companies.
8. BEIS has supported the development of the new TrustMark scheme and is confident that the work completed, as outlined above, would deliver greater consumer protection and robust yet fair requirements on businesses delivering ECO measures. We are therefore proposing to incorporate TrustMark into ECO3, in particular that installers should be TrustMark registered businesses to be eligible to deliver ECO measures, except in respect of demonstration actions and certain DHS measures as per paragraph 25 further below. This consultation coincides with the publication of the draft updated TrustMark Framework to allow respondents to have full oversight of all the relevant TrustMark documents which would affect installations of measures under ECO3 should our proposal be taken forward<sup>10</sup>.
9. Amongst the TrustMark Framework requirements are ones specifically concerning the new Publicly Available Specification (PAS) standards and financial protection. Following on from our ECO3 consultation last year, we consider these specific requirements in more detail below.

### *Publicly Available Specifications*

10. This section refers to the inclusion of new PAS standards into ECO3 for the delivery of domestic energy efficiency measures, namely:

**a. PAS 2035:2019 Retrofitting Dwellings for Improved Energy Efficiency: Specification and Guidance**

Which covers the whole life-cycle of a retrofit project, from the initial engagement with a client, through assessment, design, install and evaluation stages that

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<sup>8</sup> <https://www.trustmark.org.uk/aboutus/useful-links/docs/default-source/scheme-documents/code-of-conduct>

<sup>9</sup> <https://www.trustmark.org.uk/customer-charter>

<sup>10</sup> See: Supporting Documents on page 9 of this consultation

should be undertaken to ensure suitable energy efficiency measures are installed correctly to the right premises.

**b. PAS 2030:2019 Specification for the installation of energy efficiency measures in existing dwellings and insulation in residential park homes**

Which sets out how the installation of specific energy efficiency measures should be carried out in existing domestic buildings.

11. PAS 2035:2019 and PAS 2030:2019 are specifications for the installation of energy efficiency measures (EEM) in existing buildings, developed by the British Standards Institution (BSI). The primary objective of PAS is the provision of a robust, uniformly applicable specification that will assist installers that comply with its requirements in full, to demonstrate that their installation processes are capable of providing the installation of energy efficiency improvement measures to specification and in accordance with the customer's expectations. The current scheme requires ECO measures that are referenced in PAS to be installed in accordance with, and the relevant installer to be certified against, PAS 2030:2017 "Improving the energy efficiency of existing buildings. Specification for installation process, process management and service provision".
12. The Review identified that a more holistic approach to retrofitting of homes would ensure better outcomes in terms of quality and consumer satisfaction. This formed the approach to developing PAS 2035:2019 Retrofitting Dwellings for Improved Energy Efficiency: Specification and Guidance, which BEIS is sponsoring and which in turn will support the delivery of the updated PAS 2030:2019<sup>11</sup>.
13. The new PAS 2035:2019 and PAS 2030:2019 standards have been developed by the industry steering group and through public consultation. We have confidence that the updated standards reflect the ambition of the Review and when utilised will result in better quality delivery. In line with our proposal in paragraph 8 above, we propose that these standards should come into effect through the TrustMark Framework requirements, as discussed in further detail below, by virtue of the incorporation of TrustMark into ECO3 regarding the installation of measures. This consultation follows the publication of the new PAS standards to allow respondents to have full oversight of all the relevant PAS documents which would affect installations of measures under ECO3 should our proposal be taken forward.
14. The draft TrustMark Framework sets out the requirements for TrustMark registered businesses to be compliant with, and certified to, PAS where relevant. Chapters 13 and 14 and Annex A, in particular, set out the requirements for TrustMark registered businesses delivering ECO measures within the scope of PAS (except for demonstration actions and certain DHS measures as per paragraph 25 below) to be certified to, and compliant with, the relevant PAS subject to transitional arrangements set out in Annex B of the draft Framework. These transitional arrangements have been designed to support the industry uptake of the new PAS specifications and are discussed in further detail below.

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<sup>11</sup> See: <https://shop.bsigroup.com/ProductDetail/?pid=000000000030390699>

As set out in Annex B of the draft TrustMark Framework, at the end of the transition period a key requirement on TrustMark registered businesses will be for all energy efficiency measures covered under PAS 2030:2019, whether or not delivered under ECO, to be delivered in line with both PAS 2030:2019 and PAS 2035:2019, by PAS 2030:2019 certified installers. TrustMark is committed to ensuring its Framework continues to be updated to refer to any new relevant PAS standards when appropriate and through engagement with BEIS.

### *Transitional arrangements for PAS*

15. Working with industry and Government, the below transitional arrangements have been included in Annex B of the draft TrustMark Framework and as per our proposal in paragraph 13 above would apply to TrustMark registered businesses delivering ECO measures within the scope of PAS 2030:2017, PAS 2030:2019 and PAS 2035:2019 (except demonstration actions and certain DHS measures as per paragraph 25 below). They have been developed to ensure the whole supply chain has enough time and clarity on transitional rules to move to the new arrangements by the end of the transition period. These arrangements provide:

1. A 19-month transition period from the date of publication of PAS 2035:2019 and PAS 2030:2019 specifications – 30 June 2019 to 31 January 2021. The 19-month period has been agreed to allow time for UKAS to accredit certification bodies and subsequently for certification bodies to certify Registered Businesses;
2. During the transitional period, once a Scheme Provider or an alternative certification body (as appropriate) is accredited to PAS 2031:2019 by UKAS, it shall no longer issue new certifications to PAS 2030:2017;
3. During the transitional period, Registered Businesses must be certified as compliant with either PAS 2030:2017 or PAS 2030:2019 by a PAS 2031 accredited Scheme Provider/ certification body, subject to the restrictions on new certifications set out in (2) above, and must comply, and be able to evidence compliance, with the PAS against which it is certified. Once a Registered Business is certified as compliant with PAS 2030:2019, it must comply, and be able to evidence compliance, with PAS 2035:2019 as well – this includes using a PAS 2035:2019 design specification;
4. The transitional arrangements will end on 31 January 2021, on and from which time all Registered Businesses delivering energy efficiency measures within the scope of PAS 2035:2019 and PAS 2030:2019 must be certified as compliant with PAS 2030:2019 by a PAS 2031:2019 accredited Scheme Provider/certification body and comply, and be able to evidence compliance, with both PAS 2035:2019 and PAS 2030:2019. This will ensure that all Registered Businesses are certified to PAS 2030:2019 by the end of the transitional period.

### *Guarantee and financial protection requirements*

16. Under the existing ECO3 regulations, for the cost savings of solid wall insulation to be based on an expected lifetime of 36 years, the Administrator must be satisfied that the measure is accompanied by a guarantee that is:
  1. supported by a mechanism that gives assurance that:
    - i. funds will be available to honour the warranty; and
    - ii. the installation of the solid wall insulation and products used in the solid wall insulation comply with a quality assurance framework;
  2. is for 25 years or more; and
  3. provides for repair, or replacement where appropriate, of the solid wall insulation, covering the cost of remedial and replacement works and materials.
17. Similar criteria apply to cavity wall insulation and park home<sup>12</sup> insulation. This is to ensure consumers have protection against failed measures and that the energy supplier can claim the savings towards its obligation.
18. The ECO3 consultation proposed that, where we are satisfied with the guarantee principles enforced through the EHC quality mark, all solid wall, cavity wall and park home insulation delivered under ECO3 should be accompanied by a quality mark approved guarantee in order to receive the standard applicable lifetime.
19. Having liaised with TrustMark during the development of their Framework and taking account of the financial protection conditions set out in Chapter 10 of the Framework, BEIS is satisfied that these incorporate and build on the existing requirements currently included in ECO3 regulations, as currently administered by Ofgem. TrustMark's financial protection requirements also would provide continuity from the existing regulatory requirements for specific measures, by accepting the current list of Ofgem approved ECO3 guarantees for solid wall, cavity wall and park home insulation. TrustMark would list approved guarantees on its website<sup>13</sup>.
20. This consultation proposes that the financial protection requirements, detailed in the Framework, for solid wall, cavity and park home insulation measures installed by TrustMark registered businesses are sufficient for those measures to receive the standard applicable lifetime cost savings. Information on financial protection or guarantees would be submitted to TrustMark for approval. We believe this would help ensure such measures receive a consistent level of guarantee protection through the ECO3 scheme.
21. By virtue of our proposal in paragraph 8 above, we are also proposing the increased financial protection requirements under the TrustMark Framework should apply in respect of all ECO energy efficiency measures (except demonstration actions and certain DHS measures as per paragraph 25 below). Following the work undertaken on Financial Protection through the Each Home Counts review, TrustMark has developed a more rigorous approach to financial protection in its Framework for measures delivered by its Registered Businesses. We believe this meets the goals of ensuring higher consumer protection and a level playing field for work delivered in people's home. In particular, the

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<sup>12</sup> The installation of insulation applied to the floor, walls and ceiling of a mobile home

<sup>13</sup> See: <https://www.trustmark.org.uk/ourservices/financial-protection>

draft Trustmark Framework sets out a specific requirement for financial protection to be provided for all ECO energy efficiency measures (except demonstration actions and certain DHS measures as per paragraph 25 below) and, amongst other requirements, a default requirement of minimum six year guarantees for those measures (except certain complex measures that are to be accompanied by 25 year or more guarantees as per paragraphs 19 and 22). The expectation is that the market would provide suitable guarantees where they are not already available.

22. In addition, we believe that, like solid wall, cavity wall and park home insulation, other complex measures delivered under the scheme should be subject to enhanced financial protection requirements and therefore be required to be accompanied by an appropriate guarantee of 25 years or more which meets the TrustMark financial protection requirements. We consider underfloor and room-in-roof insulation to be complex measures and therefore propose that those measures should be accompanied by at least a 25 year or longer guarantee under the scheme and that such a guarantee should as a minimum meet 'appropriate guarantee' criteria set out in Chapter 10 of the Framework at paragraph 10.2.9.
23. We expect that the market would provide appropriate guarantees, of 25 years or more, for underfloor and room-in-roof insulation to be reviewed and added to TrustMark's appropriate guarantee list and we would appreciate views on the likelihood of that happening quickly and cost-effectively. Guarantees which have already been assessed as being "appropriate guarantees" by Ofgem would be listed on TrustMark's website. This list would be updated to include future guarantees which TrustMark deems to meet the criteria.
24. We are also seeking views as to whether there are other complex measures delivered under the scheme to which this enhanced financial protection should be extended.

### *Exceptions*

25. We propose that any incorporation of TrustMark into ECO3 should not affect the current ECO3 requirements for the following measures:
  1. **Demonstration actions:** As these measures will be at technology readiness level (TRL) 8 or 9, they will have already satisfied the relevant safety benchmarks required by these levels and include adequate safety mitigations to be installed in a live environment. In making recommendations to Ofgem, the Technical Advisory Panel<sup>14</sup> will need to be satisfied that the applicant's technology fulfils the standard of safety required in order to be approved under ECO3, including ensuring there is adequate consumer protection in place.
  2. **District Heating Systems (DHS):** DHS measures to the extent they are registered with heat sector consumer protection body Heat Trust or demonstrate that they comply with equivalent standards to those provided by Heat Trust as such measures would be accompanied by appropriate consumer protection standards.

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<sup>14</sup> <https://www.ofgem.gov.uk/publications-and-updates/eco3-innovation>



In particular, we propose that, for the purpose of these Demonstration Actions and certain DHS measures, installers would not be required to be TrustMark registered. Any installer which is a TrustMark Registered Business would not be required to meet the TrustMark requirements for these measures which are delivered under ECO as the existing provisions provide adequate coverage.

However, we propose that the current ECO3 requirements are updated to move to the new version of PAS (PAS 2035:2019 and PAS 2030:2019) subject to similar transitional arrangements as those set out in paragraph 15 above.

### *Technical Monitoring*

26. The intention is for the administration of technical monitoring to transfer from Ofgem, the ECO administrator, to TrustMark. Ofgem would provide support to TrustMark in the initial stages of their technical monitoring set up. We intend to provide further details and timelines on this in our Government response.

### **Our proposals**

27. Given the support in the previous consultation and the work done to ensure that the TrustMark Government Endorsed Quality scheme is fit for purpose, we are proposing that:
- a. TrustMark is incorporated into ECO3 and, in particular, installers must be TrustMark registered businesses to be eligible to deliver ECO measures;
  - b. incorporation of TrustMark into ECO3 is sufficient to demonstrate installations are compliant with all relevant PAS requirements and installers are certified against the correct version of PAS (i.e. PAS 2035, PAS 2030:2017/19);
  - c. robust consumer processes are in place through the application of the Framework, new code of conduct and customer charter as described in paragraph 7 above;
  - d. solid wall, cavity wall and park home insulation measures delivered by eligible TrustMark registered businesses receive the applicable standard lifetime savings as sufficient financial protections would be in place;
  - e. by virtue of (a) above, the increased financial protection requirements under the TrustMark Framework apply in respect of all ECO energy efficiency measures; *and*
  - f. as for solid wall, cavity wall and park home insulation measures, underfloor and room in roof insulation measures are accompanied by an appropriate guarantee of 25 years or more which meet the TrustMark financial protection requirements.

The above does not apply to demonstration actions and certain DHS measures as described in paragraph 25 above.

28. We have considered the financial implications of the proposed changes to scheme requirements on the cost of delivering ECO. We expect costs to increase for suppliers and industry as a result but consider this to be a necessary and acceptable consequence of improving quality and standards. The main drivers in cost include becoming a TrustMark registered business and increased scrutiny at the pre and post installation stage as required by the new PAS standards. As all these changes are aimed at improving quality throughout the industry and providing greater consumer protection, we do not feel that the increased cost burden is to a level where obligation targets need to be revisited.

Further details on the cost are available in our Impact Assessment published alongside this consultation.

## Consultation Question

1. Do you agree with the proposal for the incorporation of TrustMark into ECO3 and, in particular, for installers to have to be TrustMark registered businesses to deliver eligible ECO3 measures, with the exception of Demonstration Actions and certain District Heating Systems (DHS) measures? In particular, do you agree that the increased financial protection requirements under the TrustMark Framework should apply in respect of ECO energy efficiency measures (except demonstration actions and certain DHS measures)?
2. Do you agree that incorporation of TrustMark into ECO3 is sufficient to demonstrate certification and compliance with the appropriate PAS standards?
3. Do you agree that incorporation of TrustMark into ECO3 is sufficient to allow all solid wall, cavity wall and park home insulation measures delivered under the scheme to receive the relevant standard applicable lifetime?
4. Do you agree that underfloor and room-in-roof insulation measures should be accompanied by a 25 year or more guarantee under the scheme which not only meets the TrustMark financial protection requirements that apply to all ECO energy efficiency measures but also as a minimum meets the TrustMark “appropriate guarantee” criteria?
5. Are there any other complex ECO measures that you think should be accompanied by a 25 year or more guarantee which as a minimum meets the TrustMark “appropriate guarantee” criteria?
6. Do you agree that, to the extent they would apply to demonstration actions and certain DHS measures exempt from the TrustMark requirements, the current ECO3 requirements should be updated to move to the new PAS standards (PAS 2035:2019 and PAS 2030:2019) subject to similar transitional arrangements to those set out in paragraph 15 above?

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## Scoring

29. Deemed scores were introduced for the ECO scheme from April 2017 and Government confirmed in its consultation response in July 2018 that Ofgem will continue to set deemed scores for the current ECO3 scheme for all measures except district heating.
30. As set out in our Government response in July 2018, a 400% uplift was adopted to provide support for the replacement of broken boilers under the broken heating system cap. This was intended to ensure that these measures would continue to be delivered after the qualifying scoring concept for boilers was removed and boiler lifetimes changed. Without this uplift, BEIS analysis suggested replacement of broken heating systems would be relatively low and homes with broken boilers might not receive the support

from the scheme that they need, especially if they are unable to make a financial contribution.

31. Although the 400% uplift was originally intended to apply only to boilers replaced under the broken heating system cap, the ECO3 regulations allow for the uplift to apply to replacement boilers outside of the cap where the boiler is a 'secondary heating measure' installed alongside qualifying insulation measures.
32. As insulation and first-time central heating (FTCH) tend to be the best long-term solutions for reducing energy costs and addressing fuel poverty, Government has limited the replacement of broken heating systems to the equivalent of 35,000 per year for ECO3. However, the current uplift applied to replacement boilers outside of the broken heating system cap means that, currently, there could be less capacity for insulation and FTCH to be delivered under the scheme if additional boilers were installed attracting a higher score.
33. Therefore, we propose to amend the ECO3 regulations to ensure the 400% uplift only applies to boilers replaced under the broken heating system cap, to reflect the original policy intent.

## Consultation Question 7

Do you agree with our proposed amendment to remove the 400% uplift for replacement boilers delivered outside of the broken heating system cap?

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### Measure Lifetimes – First Time Central Heating

34. First Time Central Heating (FTCH) can be a highly effective measure in alleviating fuel poverty, making a big difference to households living in cold homes. In our Government response in July 2018 we concluded to broaden eligibility criteria for the current ECO3 scheme so that properties without previous central heating but with 100% broken or inefficient<sup>15</sup> electric storage heaters (ESH) would be eligible for a FTCH measure.
35. The current lifetime assumption for gas FTCH is 12 years. This only reflects the lifetime of the boiler, however, in reality, the whole heating system of a FTCH measure would last for several decades.
36. Therefore, in recognition of the long-term benefits and lifetime of FTCH, we are proposing to change the lifetime of all FTCH measures to 20 years.

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<sup>15</sup> An electric storage heater is inefficient if it has a manufactured responsiveness rating of 0.2 or less when assessed against the Standard Assessment Procedure.

## Consultation Question 8

Do you agree with our proposal to change the measure lifetime assumption for first time central heating measures to 20 years?

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### Eligibility for private rented sector households

37. Under ECO3 we have limited the measures eligible to be installed in EPC Band F and G rated private rented sector (PRS) homes to renewable heating and solid wall insulation to reflect that landlords are separately required to meet the PRS minimum energy efficiency standards<sup>16</sup>. ECO3 policy was finalised in July 2018 in anticipation of the introduction of a capped landlord contribution for compliance with those standards. At the time, we did not know what the final cap for the landlord contribution would be but were confident it would be below the cost of renewable heating and solid wall insulation.
38. The updated PRS minimum energy efficiency standards came into force on 1 April 2019, via amendments to the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015. Private landlords are required to improve their properties to an EPC Band E rating or better, by spending up to £3,500 including VAT, which must include their own financial contribution if they cannot source sufficient funds elsewhere.
39. Our evidence shows that the average cost of installing a first-time central heating (FTCH) system is above £3,500 and therefore we propose to allow for the installation of FTCH – as well as solid wall insulation and renewable heating – in PRS EPC Band F&G rated properties.

## Consultation Question 9

Do you agree that first time central heating (FTCH) should be eligible in PRS EPC Band F&G rated properties?

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<sup>16</sup> <https://www.gov.uk/government/consultations/domestic-private-rented-sector-minimum-level-of-energy-efficiency>

## In-fill and first-time central heating

40. Since the introduction of local authority flexible eligibility (LA-Flex) in April 2017, we have permitted the installation of solid wall insulation into homes whose inhabitants do not meet the eligibility criteria, subject to various conditions; this is known as 'in-fill'. The conditions include specific rules about proximity of the homes to eligible households. In-fill under LA-Flex was introduced to make solid wall insulation projects more viable by allowing them to take advantage of economies of scale.
41. We believe that similar arguments for in-fill apply to first time central heating (FTCH). The installation of gas heating, for example, is usually reliant on other support for the extension of the gas pipework and, similarly, there is no point providing the gas connection if the household cannot afford to install the heating system. A lot of projects, therefore, rely on all or the vast majority of homes in a certain location being connected and qualifying for FTCH under ECO.
42. We are proposing to extend in-fill under LA-Flex to include FTCH to make these projects more viable. The reason for restricting this change to LA-Flex is that we want to restrict it to private sector housing and limit the overall amount of in-fill through the LA-Flex cap of 25%.

## Consultation Question 10

Do you agree that first time central heating (FTCH) should be included in the LA-Flex in-fill?

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## Transitional Arrangements

43. The intention would be for all the proposed changes in this consultation to take effect when the amending Regulations come into force, which is anticipated to take place at earliest in late 2019. The changes would apply to measures completed after the date the amending Regulations come into force. Regarding incorporation of TrustMark into ECO3, and in particular the requirement to be TrustMark registered, the intention would be for this to apply from the start of a measure's installation. This would apply even if that is before the date the amending Regulations come into force, in the case that the measure will not complete until after that date. We feel this is sufficient time for industry to prepare for these changes. We are seeking views on this transitional arrangement.

## Consultation Question 11

Do you agree with our transitional arrangements for all proposed changes?

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## General Scheme Requirements

44. We plan to publish an illustrative draft of the amending Order during this consultation which would show how we propose to give legal effect to these proposed changes to ECO3.

## Consultation Question 12

The Government invites views on the general requirements set out in this consultation and the illustrative draft of the amending ECO3 Order, once available.

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## Current scheme delivery

45. BEIS recognises that delivery under ECO3 has been lower than estimated and lower than at the start of previous obligations. We also note, however, that market prices are currently below those previously estimated. Some ECO installers report that Ofgem's change to the deemed score for partial fill cavities disrupted the supply chain for that measure. We have also received suggestions about making delivery easier, primarily by broadening the eligible pool of recipients.
46. We support Ofgem's implementation of a deemed score for partial fill cavities which reflects the savings from that measure. Also, given that the current scheme is the main fuel poverty policy and already applies to around a quarter of households, expanding it would make the fuel poverty targeting rate worse and would not be consistent with our policy intent.
47. A key message we have received since the start of ECO is that policy longevity and stability is a crucial factor to success. Given the scheme only came into force in December 2018, we think it is too early to make well-informed changes to ECO3 other than those set out above. We cannot judge, for example, whether delivery will meet expectations if and when market prices rise. And, delivery of measures is rising significantly month-on-month. Therefore, we are not proposing to introduce changes to the eligible pool, nor are we in a position to propose specific uplifts for certain types of measures. As with all previous iterations of ECO, however, we will keep the situation under constant review and act accordingly during the lifetime of the scheme.
48. We will also continue to work on ways to make delivery easier, primarily by seeking ways to reduce search costs, for example, through the use of Government data.

## Next steps

49. Following an analysis of responses, the Government plans to issue its response to the consultation in September 2019, with a view to laying the amending regulations in Parliament by October 2019. This would provide clarity to stakeholders and industry about upcoming changes to the ECO3 scheme, enabling them to prepare and transition to the changes appropriately.

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This consultation is available from: [www.gov.uk/government/consultations/energy-company-obligation-eco3-improving-consumer-protection](https://www.gov.uk/government/consultations/energy-company-obligation-eco3-improving-consumer-protection)

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